

ARMCHAIR INVESTOR^(sm) MORNING
MARKET NEWSLETTER
A TREND-FOLLOWING STRATEGY



If you are planning on attending the MARKET DIRECTION workshop and have not received the location information, please call or text Charlotte 214-995-6702

UNDERSTANDING MARKET DIRECTION IS THE **SINGLE MOST IMPORTANT FACTOR IN THE SUCCESS** OF INDIVIDUAL INVESTORS.

THE ARMCHAIR INVESTOR
MARKET DIRECTION WORKSHOP

“The message from the market is clear – if you know what to look for.”

Learn how to:

- Interpret the day-to-day market movements of the market and your stocks.
- Put day-to-day movements together for a market diagnosis.
- Decode the price-volume action for your individual stocks.
- Buy stocks earlier in a good Uptrend.
- Get out faster by learning how to interpret when the market and your stocks are failing.
- Complete history of the market signals since 2000 and their extraordinary returns earned during each market trend

Saturday, 3/31, 1:00 to 4:00 in a hotel near the DFW airport

75 page full-color workbook included. Pre-registration required.

Beat the standard price of \$195 by registering by noon on Friday for \$125.

Seating is limited! Call Charlotte 214-995-6702

The market is in DOWNTREND
(frequently called “correction”)

A concentration of distribution days is the most significant market direction change indicator.

On March 27, the S&P500 distribution count rose to 9 days with many other confirming signs of weakness, enough to change the diagnosis to DOWNTREND.

Last week: At the close of the market on Tuesday, the preponderance of distribution days and other markets of market failure moved the market direction diagnosis to Downtrend (also known as “correction.”)

The **appropriate actions** are now to:

- Reel in questionable investments (sell all or sell half of faltering stocks),
- Place stops closer to current prices (trailing stops may be appropriate in this market),
- Wait to add new stocks to your portfolio and
- Build that watch list.

Remember: If you sell a stock and then the market returns to Uptrend and your stock turn back up, it is appropriate to buy back that stock, assuming its ratings and chart still meet your purchase criteria.

Thursday: What’s up with Thursday’s volume? Several factors pulled in different directions:

- **The last day before a weekend** (usually Friday) **frequently has higher volume** as the institutional money repositions itself a little more conservatively to protect against bad news over the weekend.
- On the other hand, it is a safe bet to **expect lighter volume on the day before a 3-day holiday weekend** as traders start early to head for the Hamptons.
- On the third hand, the **end-of-quarter repositioning** can cause above average volume.
- The S&P500 had volume at its 50-day m.a.
- The Nasdaq was a little busier before the 3-day weekend that also ends the first quarter. Its volume was up 8% (10% above its daily average volume.)

Note: Friday is a market holiday. The next Armchair Investor newsletter will be after the close on Monday 4/2.

TREND-FOLLOWING ACTION: Exiting any market tracking ETFs such as the QQQ, QLD and TQQQ.

Now you have two options and buying a short ETF such as the PSQ, QID and SQQQ.

DAILY MARKET ACTION						
3/29/18	3/29 Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg.	Accumulation or Distribution Day?	DOWNTREND begun on 3/27/2018 (A winning downtrend should show a loss in this column)
Nasdaq	7,063.45	+1.6%	+2.9%	+13.3%	Major Accumulation	+1.2%
S&P500	2,640.87	+1.4%	NYSE Volume		Neither	+1.1%
NYSE	12,456.42	+1.2%	-7.8%	-7.5%	Neither	+1.1%
DJIA	24,103.11	+1.1%			Neither	+0.9%

The Gain/Loss is calculated by dividing today's closing price by the opening price the day after the market direction changed.

You can blame it on China, North Korea, Trump or Brexit but the **source of the market weakness does not matter**. I don't care about the cause. **I just want to know what direction the market is going.**

A concentration of distribution days with confirming negative factors built to a "Market in Downtrend" diagnosis on Tuesday.

REMEMBER:
THE MARKET CONTINUES IN THE DIRECTION IT'S GOING UNTIL IT DOESN'T.

THE ARMCHAIR INVESTOR strategy is SIMPLE:

- Be in the market when it is going up.
- **Be out of the market when it is going down.**
- Protect yourself with an 8% stop.

And "out of the market" includes going short in a downtrend, if you are willing and able to do so.

Be sure your stops are in for any stocks you still own.

Download the **FULL ARMCHAIR INVESTOR NEWSLETTER** at:

www.ArmchairInvestor.com

Click on the **Current Newsletter** tab

No advice is ever given in this newsletter. It is provided for your education only.

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NOTE: Some tables in today's newsletter are different today because they show the final returns (profit or loss) for the last trend. Tomorrow, they will start tracking the profit/loss of the new Downtrend begun on 3/27/2018.

Uptrend ETFs	ARMCHAIR INVESTOR TREND-FOLLOWING RETURNS FOR RECENT UPTREND		
	<i>Final returns for the Uptrend are based on buying the opening prices on 2/15/2018 and exiting at the opening prices on 3/28/2018.</i>		
3/29/18	Opening Price on 2/15/2018	Selling at the Opening Price of ETF after 3/27/18 Downtrend Signal	PROFIT/LOSS from 2/15/18 Uptrend Signal to "Market in DOWntrend" on 3/27/18
QQQ (1x)	\$164.14	158.25	-3.6%
QLD (2x)	\$80.57	74.42	-7.6%
TQQQ (3x)	\$158.00	138.77	-12.2%

The ETF QQQ is designed to move WITH the largest 100 stocks on the Nasdaq. QLD is designed to double the price move of the QQQ. The TQQQ is a more volatile Visit Proshares.com for more information.

Downtrend ETFs	ARMCHAIR INVESTOR TREND-FOLLOWING RETURNS FOR CURRENT DOWNTREND			
	<i>The PROFIT/LOSS column shows the gain/loss from investing in the ETF the morning after the market when into "DOWNTREND."</i>			
	Opening Price on 3/27/2018	Closing Price Today	ETF % Change Today *	PROFIT/LOSS from 3/27/18 Signal: "Market in DOWntrend"
Short QQQ	158.25	160.13	-1.8%	-1.2%
PSQ (1x)	34.62	34.17	-1.9%	-1.3%
QID (2x)	12.50	12.18	-3.7%	-2.6%
SQQQ (3x)	19.03	18.30	-5.5%	-4.0%

HOW CLOSE ARE THE INDEXES TO ALL-TIME HIGHS?				
3/29/2018	Nasdaq	S&P500	NYSE	DJIA
Date of Index All-time High	3/13/2018	1/26/2018	1/26/2018	1/26/2018
All-time High	7537.27	2872.87	13637.02	26616.71
Current Price	7063.45	2640.87	12456.42	24103.11
Below (-) or Above (+) Recent High (%)	-6.3%	-8.1%	-8.7%	-9.4%
Below (-) or Above (+) Recent High (#)	-473.82	-232.00	-1180.60	-2513.60

LAST WEEK'S MARKET ACTION

3/29/2018	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg	Type of Week
Nasdaq	-1.4%	-10.7%	-10.0%	Neither
S&P 500		-16.4%	-21.0%	Neither
NYSE	+0.6%			Neither
DJIA	+0.6%			Neither

The "TYPES OF WEEK" are:

ACCUMULATION WEEK

Price RISES 0.2% or more and Volume RISES

DISTRIBUTION WEEK

Price FALLS 0.2% or more and Volume RISES

Another type of DISTRIBUTION(*): WEEK Price FALLS 0.2% or more & Volume is 15% or more above average even without an increase in volume.

The NYSE volume is used for the S&P500 and NYSE Composite.



The above charts are from **StockCharts.com**, a valuable site for investors with **many free tools**.

On the **daily charts**: The **price 20-day, 50-day and 200-day moving averages** are shown. If you don't see the 200-day price moving average, it is too far away from the price bars to show. But stay tuned – it will appear on these charts when the market direction changes.

Also, the **volume 50-day moving average** is shown.

On the **weekly charts**: The **price 10-week & 40-week moving averages** and the **10-week volume moving average** is shown.

The only strength in the Market Factors table below is that some of the indexes are still above their 200-day moving averages. EVERYTHING else leans to the downside.

MARKET FACTORS, COUNTS & RATINGS		3/29/2018	
Type of DAY for <u>Nasdaq</u> Accumulation, Distribution or Neither		Major Accumulation	
Market Direction Uptrend, Under Pressure, Downtrend, or Attempted Uptrend		DOWNTREND	
<u>ALL Nasdaq Accumulation & Distribution Days</u>		Accumulation Days	Distribution Days
10-day count of NASDAQ Accumulation & Distribution days		1	5
The usual 20-day count was dropped to 10 to show the more relevant recent accumulation and distribution around the "Uptrend under Pressure" and "Downtrend" periods.			
Count of Up Days and Down Days (10-days on the Nasdaq)		Up Days	Down Days
		3	6
. Those days are not included in the Up/Down count which does not, therefore, add up to 10 days.			
Leaders Up/Down with High Volume 10-day ratio		0.8	
This indicator looks at leading stocks (high RS) and is, thus, biased to the upside. Uptrend indicator: 1.5 or higher. Neutral: 1.0 to 1.49. Downtrend: less than 1.0			
Market Accumulation/Distribution Ratings "A": heavy accumulation, "B": moderate accumulation, "C": neutral, "D": moderate distribution, "E": heavy distribution. Accumulation = Institutions are BUYING, Distribution = Inst are SELLING		Nasdaq	D+
		S&P 500	E
		DJIA	E
Are Major Indexes Above or Below Moving Averages? "At" is within 1% above or below the moving average.		50-Day	200-Day
Nasdaq		Below	Above
S&P 500		Below	Above
NYSE		Below	At
DJIA		Below	Above

MARKET ACTION (Nasdaq) OVER THE LAST 20 DAYS

(For a full explanation of the terms in this table see end of this newsletter)

#	Date	Close	Index % Change	Volume % Change	Current Trend Day Count	Type of Day: Accumulation, Distribution or Neither (—)	<u>CONSISTENT WITH:</u> UPTREND or Downtrend?
MARKET IN UPTREND							
20	3/2/18	7257.87	+1.1%	-8.4%	12	—	DOWNTREND
19	3/5/18	7330.70	+1.0%	-11.9%	13	—	DOWNTREND
18	3/6/18	7370.78	+0.6%	-5.8%	14	—	DOWNTREND
17	3/7/18	7396.65	+0.3%	+3.0%	15	Minor accumulation day	UPTREND
16	3/8/18	7427.95	+0.4%	+6.0%	16	Minor accumulation day	UPTREND
15	3/9/18	7560.81	+1.8%	+0.8%	17	Major Accumulation day >>>UPTREND<<<	UPTREND
14	3/12/18	7588.32	+0.4%	+0.4%	18	Minor accumulation day	UPTREND
13	3/13/18	7511.01	-1.0%	+6.8%	19	Major Distribution day	DOWNTREND
12	3/14/18	7496.81	-0.19%	-14.8%	20	—	—
11	3/15/18	7481.74	-0.20%	-4.9%	21	—	UPTREND
10	3/16/18	7481.99	+0.00%	+11.4%	22	—	—
9	3/19/18	7344.24	-1.84%	-23.5%	23	—	UPTREND
8	3/20/18	7364.30	+0.3%	-15.6%	24	—	DOWNTREND
7	3/21/18	7345.29	-0.3%	+1.1%	25	Minor distribution day	DOWNTREND
6	3/22/18	7166.68	-2.4%	+18.2%	26	Major Distribution day	DOWNTREND
5	3/23/18	6992.67	-2.4%	+3.9%	27	Major Distribution day	DOWNTREND
4	3/26/18	7220.54	+3.7%	-5.4%	28	—	DOWNTREND
3	3/27/18	7008.81	-2.9%	+0.2%	1	Major Distribution day <i>Market moves into Downtrend</i>	DOWNTREND
2	3/28/18	6949.23	-0.9%	+8.0%	2	Major Distribution day	DOWNTREND
1	3/29/18	7063.45	+1.64%	+2.9%	3	Major Accumulation day >>>UPTREND<<<	UPTREND

The CURRENT TREND column colors: Green: Uptrend. Yellow: Uptrend under Pressure. Red: Downtrend.

FOR INVESTORS IN INDIVIDUAL STOCKS

More detailed comments on market direction and technical analysis for individual stocks

THURSDAY: REPEATING THE IMPORTANCE OF PROTECTING YOUR PORTFOLIO: CASH IS A POSITION.

The market diagnosis is DOWNTREND.

This is a time to build a watch list. Many dips into “under pressure” are periods when the market realigns with reality, correcting prices of stocks that have risen too high, based on crowd exuberance. How will you know? If there is no news or changes in the company’s financials, but it still starts falling, don’t try to be smarter than the market. **THE MARKET IS ALWAYS RIGHT.**

REMEMBER:

YOU ARE NOT SMARTER THAN THE MARKET

THE MARKET AND STOCKS CONTINUE IN THE DIRECTION THEY ARE GOING..... UNTIL THEY DON'T.

PROTECT YOUR PORTFOLIO WITH AN 8% STOP

CHOOSE YOUR STOP & LIVE BY IT – NO EXCUSES!

And you don’t have to wait for your stock to fall to the stop. A concentration of distribution is a good reason to get out wherever it happens!

Remember:

The market AND YOUR STOCKS continue in the direction they are going until they don’t.

What to do now:

1. **WATCH YOUR INVESTMENTS CLOSELY:** Sell stalling and falling stocks quickly.
2. Do a quick **review of each stock you own every night.** Look for strength and weakness signals in the price-volume action, especially watching for distribution (signs of institutional selling)
3. **DON'T LOSE YOUR GAINS:** Sell any stock that is showing a concentration of distribution days. I sell more quickly in a Downtrend

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ARMCHAIR INVESTOR WEEKLY CLASS SCHEDULE

Join us for the **ARMCHAIR INVESTOR** classes.

Be my guest (FREE) if you have not visited in the last six months (guest seating limited).

Please register on the Meetup site so I will have a handout for you (25 pages of articles and

[Link to registering for the Armchair Investor Meetup- CLICK HERE](#)

The 2018 ARMCHAIR INVESTOR classes schedule.

Pre-register please! Schedules change! See phone number below:

Mondays 6:00 – 8:00 p.m. Barnes & Noble at Royal & Preston (northeast corner), Dallas

Tuesdays 3:30 – 5:30 p.m. Barnes & Noble at Royal & Preston (northeast corner), Dallas

Wednesdays 10:00 am – noon, Barnes & Noble, on Beltline just east of Montfort, Addison

- **Guest attendance** is limited to ensure class members get their full value. -
- **Be sure to call to confirm we are having a class** (we are occasionally on vacation) and have an open chair.

Call or text me at 214-995-6702 to schedule your FREE visit (new visitors only) to an ARMCHAIR INVESTOR class.

TO REGISTER FOR THE COMPREHENSIVE, SINGLE SUBJECT
ARMCHAIR INVESTOR WORKSHOPS
OR TO VISIT AN ARMCHAIR INVESTOR CLASS:

CALL OR TEXT CHARLOTTE HUDGIN AT 214-995-6702

Wishing you "Many Happy Returns,"

Charlotte Hudgin, 214-995-6702, Editor, the Armchair Investor

DISCLAIMER, "Buyer Beware" WARNING:

This newsletter shares the ideas I use in my investing. It is not investing advice but should be taken as education only. Your investment decisions are your responsibility as are the results. If you are not comfortable with or do not understand a strategy completely, I recommend that you paper-trade until you are successful and can sleep at night.

Questions may be submitted to: Editor@ArmchairInvestor.com

Some of your questions will be used in future newsletters.

Additional notes follow:

EXPLANATION OF TERMS FOR THE

MARKET ACTION OVER THE LAST 20 DAYS

Four weeks of price and volume action reveal much about the direction of the market and the strength of that movement.

		Price		Volume	
Healthy Uptrend Price-Volume Movement	Strong Action	Up	↑	↑	Up
	Weaker Action	Down	↓	↓	Down
Healthy Downtrend Price-Volume- Movement	Strong Action	Down	↓	↑	Up
	Weaker Action	Up	↑	↓	Down

The chart below identifies the **market direction** indicated by the Nasdaq's price and volume action for the last 20 days at two levels of significance.

ACCUMULATION/DISTRIBUTION COLUMN - TELLS YOU WHERE THE BIG MONEY IS GOING

The listing includes: the date, Nasdaq closing price and percent change of the Nasdaq price and volume.

- The next column identifies days that were **Major Accumulation** (serious UPTREND indicator) or **Major Distribution** (serious Downtrend indicator) using the 1% minimum rise or fall with higher volume.
- **Minor accumulation** and **minor distribution days** are also identified – days that moved 0.2% or more but less than 1%.

“CONSISTENT WITH” – THE SUBTLE, BUT TELLING MOVES

The last column is an UPTREND /Downtrend indicator.

Think of a healthy Uptrend. It will have many days where the index rises with increased volume.

But even in the most robust Uptrend, * not every day will be up. In any Uptrend, there will be some down days. If they have higher volume, then the day becomes a distribution day but if the volume is lighter (as frequently happens in an Uptrend), then the down day is NOT a distribution day. In fact, a drop on lighter 4747.62 volume says they market is NOT selling off heavily – good news and consistent with the Uptrend.

Using the Healthy UPTREND/Downtrend price and volume movement listed above.

- For example, if the Nasdaq closing price rose 0.7% and the volume rose 2% (up and up), that movement is “consistent with” the price-volume action of a Healthy UPTREND.
- If the price drops 0.5% and the volume rises 1.2% (down and up), that movement is “consistent with” the price-volume action of a Healthy Downtrend as indicated in the table above.
- Any index change less than + or – 0.3% or volume change less than + or – 1% has no “consistent with” notation. Price and volume movements that small is not strong enough to tell us about the market movement.

EXAMPLE OF ACCUMULATION AND DISTRIBUTION WITH EXPANDED EXPLANATION OF TERMS:

Today's Market Action with explanation						
2/5/16	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg	Accumulation or Distribution Day?	Current Trend: DOWNTREND Began 1/4/2015
Index	4363.14	-3.2%	+13.8%	+21.8%	Major Distribution	+11.3%
S&P500	1879.92	-1.9%	NYSE Volume		Neither	+6.6%
NYSE	9,390.33	-1.5%	-5.3%	+15.0%	Neither	+6.2%
DJIA	16,204.62	-1.3%			Neither	+5.5%

A **Major Accumulation Day**: Price RISES 1.0% or more and higher Volume than the day before
A **Minor accumulation Day**: Price RISES 0.2% or more and Volume is strong (either higher volume or is well-above average volume)

A **Major Distribution Day**: Price FALLS 1.0% or more and higher Volume than the day before.
A **Minor distribution Day**: Price FALLS 0.2% or more, Volume is strong (either higher volume or is well-above average volume)

A **Stalling minor distribution Day**: Only in an up-trending index or stock, price is FLAT or DOWN slightly compared to the day before, closing in the bottom half of the day's range and volume is heavier or about equal to the day before or strong compared to the past market. It's the price closing low in the day's range after an uptrend that is the key for this designation. Price close to flat and higher or consistent volume indicates the big money (institutions: mutual funds, banks, etc.) are gently selling, trying to sneak out so you won't notice.

** The "CURRENT TREND" column calculates how far each index has moved in the current trend assuming you purchased the index (which is not buyable) at the opening price on the day after the trend change signal.

- **When this column is GREEN, the index has moved in the direction of the market trend.**
- **HOWEVER, when this column is RED, the index change has fallen into negative territory (which could be a rise during a Downtrend)**

An **ACCUMULATION** day points at heavy buying by institutional money managers - the mutual funds, pension funds, banks, etc.
A **DISTRIBUTION** day points at heavy selling by institutional money managers.